

IIFL SPECIAL OPPORTUNITIES FUND - SERIES 2

(A scheme of IIFL Opportunities Fund - Category II Alternative Investment Fund)

All data are as on October 31, 2020 and denominated in INR



Investment Theme

The scheme seeks to generate long term capital appreciation through investment in Equity and Equity related instruments of to be listed companies. The fund aims to provide individual investors the opportunity to participate primarily in IPO and Pre-IPO events as institutional investors.

Key Terms

| | |
|------------------|---|
| Launch Date | July 13, 2017 |
| Bloomberg Ticker | NA |
| Scheme | Closed Ended Scheme |
| Category | Category II Alternative Investment Fund |
| Benchmark Index | S&P BSE IPO TRI |

Fund Details - as on October 31, 2020

| | |
|--------------------------------|---------|
| Committed Capital (INR in Cr.) | 1475.42 |
| Drawdown Capital (INR in Cr.) | 1475.42 |
| NAV - Fund Level (INR)* | 10.9434 |

* Refer the second point of the note section

Schedule of Charges

| | |
|---|---|
| Class of Units | Class A Units - units offered by the Fund and subscribed by Investors (further sub classified into Class A1, A2, A3 and A4), Class B Units- Units offered by the Fund and subscribed by IIFL Group or such other persons as nominated by Sponsor / Co-Sponsor involved in management, distribution or advise to the Fund. |
| Management Expenses (as % of daily net assets p.a.) | Class S (Sponsors) - 0.10% Class A1 - 2.00% Class A2 - 1.75% Class A3 - 1.50% Class A4 - 1.00% |
| Admin. Expenses | Upto 0.15% p.a. of daily net assets |
| Set up Fee | Upto 2.00% of Aggregate capital commitment |
| Hurdle Rate | Internal Rate of Return of 10% p.a.** |
| Performance Fees | 10% of return over and above the Hurdle Rate without catch-up for Class A1, Class A2, Class A3 and Class A4 investors (as detailed in PPM) |

**Refer the third point of the note section

Investment Manager

IIFL Asset Management Limited (IIFL AMC)

Fund Manager Profile

-Dr. Rahul Salvi

Dr. Rahul Salvi is an alumnus of JBIMS with an MBA in finance and working with IIFL since 2011. Dr. Rahul in his prior assignment was involved in identifying opportunities in the Pharma, Technology, Hospitals and midcap space in the Indian stock markets and also handling a few key client portfolios by developing alternate equity strategies for clients to generate portfolio alpha. Prior to that he has had a brief stint in a boutique investment banking firm based out of Mumbai.

Portfolio holding vs Performance (Since Inception)

| Scheme/Benchmark | Listed (%) | Unlisted (%) | Overall (%) |
|------------------------|------------|--------------|-------------|
| % of portfolio holding | 40.83 | 44.86 | |
| Scheme Returns (XIRR) | 12.96 | 1.03 | 4.81 |
| S&P BSE IPO TRI | 12.67 | | |

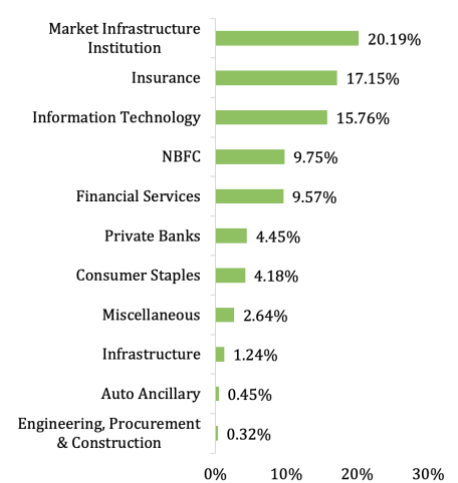
Fund level returns are shown in the above table; Past performance may or may not be Financial Services sustained in future;

Returns are as of October 31, 2020

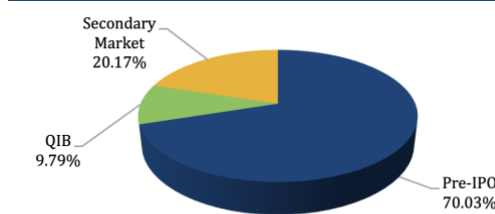
Distributions

| | |
|---------------------------------------|-------|
| Payout - ICICI Lombard Gen. Insurance | 0.75 |
| Income Distribution | 0.49 |
| Total Distributions | 1.24 |
| NAV - Oct 2020 | 10.94 |
| Adjusted NAV | 12.18 |

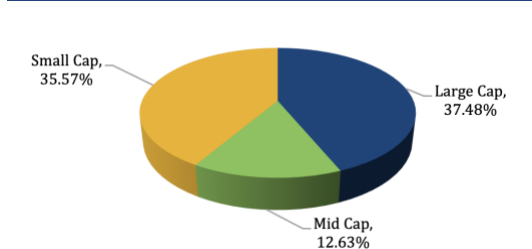
Sector - Holdings



Type of Investment



Market Capitalization



Calculation on the basis of current portfolio value

Current Portfolio Holdings

| S. No. | Company | Weightage |
|------------------------------------|---|----------------|
| Listed Portfolio Holdings | | 40.83% |
| 1 | NIPPON LIFE ASSET MANAGEMENT LIMITED | 8.42% |
| 2 | SBI LIFE INSURANCE COMPANY LIMITED | 7.75% |
| 3 | ICICI LOMBARD GENERAL INSURANCE COMPANY LIMITED | 4.83% |
| 4 | HDFC LIFE INSURANCE COMPANY LTD | 4.57% |
| 5 | CREDITACCESS GRAMEEN LIMITED | 2.34% |
| 6 | YES BANK LIMITED | 2.00% |
| 7 | INDIAN ENERGY EXCHANGE | 1.65% |
| 8 | BANDHAN BANK LIMITED | 1.34% |
| 9 | EQUITAS SMALL FINANCE BANK LIMITED | 1.11% |
| 10 | RBL BANK LIMITED | 1.10% |
| 11 | TCNS CLOTHING CO. LIMITED | 0.82% |
| 12 | MINDSPACE BUSINESS PARKS REIT | 0.77% |
| 13 | UTI ASSET MANAGEMENT COMPANY LIMITED | 0.76% |
| 14 | IRCON INTERNATIONAL LIMITED | 0.64% |
| 15 | UJJIVAN SMALL FINANCE BANK LIMITED | 0.61% |
| 16 | CAPACITE INFRAPROJECTS LIMITED | 0.60% |
| 17 | VARROC ENGINEERING LIMITED | 0.45% |
| 18 | ANGEL BROKING LIMITED | 0.39% |
| 19 | GALAXY SURFACTANTS LIMITED | 0.35% |
| 20 | STERLING AND WILSON SOLAR LIMITED | 0.32% |
| Unlisted Portfolio Holdings | | 44.86% |
| 21 | NATIONAL STOCK EXCHANGE OF INDIA LIMITED | 16.99% |
| 22 | NSDL E-GOVERNANCE INFRASTRUCTURE LIMITED | 10.90% |
| 23 | NORTHERN ARC CAPITAL LIMITED | 5.69% |
| 24 | NAZARA TECHNOLOGIES LIMITED | 4.86% |
| 25 | BIKAJI FOODS INTERNATIONAL LIMITED | 3.36% |
| 26 | NATIONAL SECURITY DEPOSITORY LIMITED | 1.55% |
| 27 | PARKSONS PACKAGING LIMITED | 0.76% |
| 28 | CDE ASIA LIMITED | 0.75% |
| 29 | CASH AND CASH EQUIVALENTS | 14.31% |
| Total | | 100.00% |

Calculated on the basis of current portfolio value
Cash and Cash Equivalents includes investments in bonds, debt mutual funds, cash balance and other receivables.

Portfolio Details (Top 5 Holdings)

1. National Stock Exchange of India Limited (NSE)

National Stock Exchange ("NSE") has dominant position and had a market share by total turnover of 94% in equity cash trading, 100% in equity futures and options trading and 72% in currency futures trading for Q1FY21.

Its operating income increased 31% YoY in Q1FY21 to ₹1,074 Cr. on the back of 57% growth in transaction income to ₹803 Cr. (₹513 Cr. in Q1FY20).

The Company has improved its cost efficiencies, with the EBITDA margin increasing to 77% (from 72% in Q1FY20). EBITDA was ₹970 Cr. up from ₹679 Cr. in Q1FY20. PAT increased from ₹426 Cr. (45%) in Q1FY20 to ₹706 Cr. (56%) in Q1FY21.

2. NSDL e-Governance Infrastructure Limited

NSDL e-Gov is engaged in providing IT enabled e-Governance Services, inter-alia comprising Tax Information Network (TIN), Central Recordkeeping Agency (CRA) for National Pension System, acting as a Registrar for Unique Identification Authority of India (UIDAI) including providing AADHAAR authentication services as Authentication Service Agency (ASA) and e-KYC services as KYC Service Agency (KSA).

The Company's income fell by 43%, from ₹188 Cr. in Q1FY20 to ₹107 Cr. in Q1FY21. It reported a PAT margin of 9.6% in Q1FY21. The fall in income was primarily due to fall in the Volumes of PAN card issued during the lockdown period. We expect the same to recover as the lockdown impact withers away.

3. Nippon Life India Asset Management Limited

Nippon Life India Asset Management ("NIAM") offers strategies across mutual funds, pension funds, managed accounts, alternative investments, and offshore funds. In September 2019, Nippon Life Insurance completed a 75% acquisition of stake in Reliance Mutual Fund and it became a subsidiary of Nippon Life. In October 2019, Reliance Mutual Fund was renamed as Nippon India Mutual Fund and Nippon Life became the sole sponsor of Nippon India Mutual Fund. Nippon Life (a Fortune 500 company) is Japan's largest private life insurer and one of the largest in the world.

The Company had ₹2.74 Tn. AUM on 30 June 2020. This included ₹1.88 Tn. from the mutual fund business. The average AUM ("AAUM") reduced by 12% from March 2020 to June 2020. This was on the back of falling AUM in the equity schemes where the AAUM reduced from ₹1.1 Bn. in March 2020 to ₹871 Bn. in June 2020. However, the Company still witnessed a net inflow of ₹10 Bn. in Q1FY21.

Revenue for the Company decreased by 7% from ₹360 Cr. in Q1FY20 to ₹336 Cr. in Q1FY21. This was primarily due to the MTM impact of ~₹340 Cr. on the equity portfolio. For Q1FY21, digital purchase transactions increased to 0.5 million, an increase of 43% QoQ. Digital channel contributed 56% to total new purchase transactions. This is reflected in the Company reducing its total operating expenses by 24% and employee costs by 13%. PAT increased by 25% to ₹156 Cr. from ₹125 Cr. in Q1FY20.

4. SBI Life Insurance Company Limited

SBI Life holds the distinction of being India's largest private life insurer in terms of New Business Premium ("NBP") generated in each fiscal year from FY10 to FY20 with 23.9% market share in Q1FY21 (up from 20.5% in FY20). Bancassurance network continues to be a strong source for the Company with 65% of the total APE being through that channel. It has wide spectrum of offerings covering individual and group customers.

Gross written premium increased 14% YoY to ₹7,643 Cr. AUM increased from ₹1.4 Tn. In June 2019 to ₹1.7 Tn. in June 2020. Inflows into the Company have also increased from ₹33.1 Bn. in Q1FY20 to ₹38.6 Bn. in Q1FY21. Market movement of ₹88.3 Bn. Contributed to a total of ₹149.9 Bn. increase in AUM from March 2020 to June 2020.

The 13th Month persistency decreased from 84.5% in Q1FY20 to 81.6% in Q1FY21 while the 61st Month persistency increased from 56.3% in Q1FY20 to 63.1% in Q1FY21. Surrender ratio has also decreased from 3.8% in Q1FY20 to 1.8% in Q1FY21. PAT grew by 5% to ₹391 Cr. in Q1FY21 compared to ₹372 Cr. in Q1FY20. The Company has a strong Solvency ratio of 2.39x in June 2020.

5. Northern Arc Capital Limited

Northern Arc Capital Limited ("NACL") is a non-banking financial company setup with the objective of bridging the gap between companies who serve financially excluded customer segments (Originators) and debt capital markets. The Company focuses on MFI sector (where, besides providing loans, it pioneered various instruments including Tier II Bonds, securitization, assignment and credit enhancement structures), Small Business Lending, Affordable Housing Finance, Vehicle Finance, Agri Finance, Corporate Finance and Consumer Finance.

Its revenue includes fee income from disbursements it enables in the form of loan syndication, securitization, assignment and guarantees and interest income from exposure it retains on its balance sheet in various deals. It also manages alternative investment funds (AIFs) which invest in credit securities of financial companies in above sectors.

The Company has a gross loan book of ~₹3,769 Cr. with gross NPA of 1.14% as at 30 June 2020. The total income increased by 7.2% from ₹158 Cr. in Q1FY20 to ₹169 Cr. in Q1FY21. It generated profit after tax of ₹26 Cr. during the quarter and has a comfortable DE ratio of 1.7 with a CRAR of 36%.

The Company has made significant progress on the technological fronts to originate loans and create benefits in terms of turnaround times, efficiency, integrity of data, customer engagement and new opportunity creation.

Fund Commentary

Market Update:

- The first half of October was relatively less volatile (VIX remaining close to 20). However, as Covid cases surged in Europe and US, and countries in Europe imposed lockdowns, market volatility picked up in the second half of October (with VIX creeping up to 25 by month-end). Due to the upcoming US elections, volatility is expected to remain elevated.
- Given the pickup in volatility, it was not surprising to see better performance for lower volatility stocks in October. On an overall basis, Nifty and Sensex both increased by 3.5% and 4.1% respectively during the month.
- In India, we continue to see recovery on both economic and Covid-19 fronts. Amidst falling active cases and a decline in the daily number of new cases, most economic indicators have improved.
 - Covid improvement:
 - Barring a few states, we are better placed now as compared to where we were in August. Number of daily new cases continued to decline, and recoveries continued to be higher than new cases, leading to a reduction in active cases.
 - Kerala, Delhi and West Bengal are the states with the highest growth rate in the number of cases. Most large urban districts (except Delhi) saw a decline in the number of new cases during the end of October.
 - Economic indicators:
 - The improvement in September GST revenues (collected in October) is a positive — reflecting improvement in economic activity, some normalization in activity/demand (including festive demand) and impact of unlocking.
 - Google mobility reports show that the number of visits to grocery stores are already back at pre-Covid level.
 - Car registrations were up in the first twenty days of October, while two-wheeler registrations were down.
 - Maharashtra's property registration numbers continue to be strong.

Primary Market Update:

- We saw 4 IPOs in October 2020: UTI Asset Management Company, Mazagon Dock Shipbuilders, Likhitha Infrastructure and Equitas Small Finance Bank.
- UTI AMC's ₹2,160 Cr. IPO was oversubscribed 2.3 times (3.3x for the QIB portion). However, there was a listing day loss of 14%.
- Mazagon Dock Shipbuilders' ₹444 Cr. IPO was oversubscribed 157.4 times (with 89.7x for the QIB section). The stock witnessed 19.3% listing day gains.
- Equitas SFB's ₹518 Cr. IPO was subscribed 2x (3.9x for the QIB portion) and ended its listing day flat at around the issue price.

IIFL SPECIAL OPPORTUNITIES FUND - SERIES 2

(A scheme of IIFL Opportunities Fund - Category II Alternative Investment Fund)

All data are as on October 31, 2020 and denominated in INR



Notes:

1. In accordance with Regulations 10 (d) of AIF, IIFL Wealth Finance Limited (Co- Sponsor) has invested Rs. 5 Crore in the Scheme. Additionally, IIFL Wealth Finance Limited has invested Rs. 3.6 Crore in the scheme under share class A1.
2. NAV mentioned in the factsheet is the fund level NAV and factors in all income & expense incurred/accrued. Kindly get in touch with Investor Relation for NAV of your respective share class.
3. Post tax post expenses Internal Rate of Return of 10% p.a. (on CAGR basis) on net capital contribution from the date of allotment for Class A1, Class A2, Class A3 and Class A4 investors (as detailed in PPM).
4. The Scheme is fully drawn down.

The data stated herein is as of October 31, 2020 , unless specifically stated.

Disclaimer:

Securities investments are subject to market risks and there is no assurance or guarantee that the objectives of the Fund will be achieved.

As with any securities investment, the value of a portfolio can go up or down depending on the factors and forces affecting the capital markets. Past performance of the Fund Manager or AMC may not be indicative of the performance in the future. This document is for informational purposes only and should not be regarded as an offer to sell or as a solicitation of an offer to buy the securities or other investments mentioned in it. The past performance of the Fund is not indicative of the future performance of the Fund or in any other Fund either existing Fund that may be offered. Investors are not being offered any guaranteed or indicative returns through these services. The returns mentioned anywhere in this document are not promised or guaranteed in any manner. Returns are dependent on prevalent market factors, liquidity and credit conditions. Instrument returns depicted are in the current context and may be significantly different in the future. The contents of this document should not be treated as advice relating to investment, legal or taxation matters. This communication is for private circulation only and for the exclusive and confidential use of the intended recipient(s).

Any other distribution, use or reproduction of this communication in its entirety or any part thereof is unauthorized and strictly prohibited. All investors must read the detailed Private Placement Memorandum (PPM) including the Risk Factors and consult their stockbroker, banker, legal adviser and other professional advisers to understand the contents of this document and/or before making any investment decision/contribution to AIF.

The securities market information contained in this document is obtained from sources believed to be reliable. We do not represent that any securities market related information, including any third party information, is accurate or complete and it should not be relied upon without proper investigation on the part of the investor/s

IIFL Asset Management Limited and its group, associate and subsidiary companies are engaged in providing various financial services and for the said services (including the service for acquiring and sourcing the units of the fund) may earn fees or remuneration in form of arranger fees, referral fees, advisory fees, management fees, trustee fees, Commission, brokerage, transaction charges, underwriting charges, issue management fees and other fees. For the purpose of trading and investments in securities, the Fund transacts through and maintain demat account(s) with Group Company(ies).